

Message Text

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PAGE 01 STATE 277331

41

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TAGS: FAO, UNDP

SUBJECT: FAO CONFERENCE: UNDP INABILITY TO MEET FAO
EXPENDITURES ON BEHALF OF UNDP

REF: ROME 17112

1. THE UNDP DOES FACE A SEVERE SHORT TERM LIQUIDITY
PROBLEM THIS YEAR AND CONTINUED FINANCIAL RESOURCES
CONSTRAINTS IN 1976. THE REASONS INCLUDE:

- A. INFLATION IN COST OF EXPERTS AND COMMODITIES;
- B. SHORTFALLS IN ESTIMATED CONTRIBUTIONS FROM
DONORS IN 1974 AND 1975;
- C. INCREASED RATE OF PROGRAM DELIVERY IN 1975;

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PAGE 02 STATE 277331

- D. DELAYS IN PAYMENT OF PLEDGES BY ITALY (\$16 MILLION) AND SOME DEVELOPING COUNTRIES (\$16 MILLION);

- E. DRAW DOWN OF MOST OF THE LIQUID PART OF THE \$150 MILLION OPERATIONAL RESERVE LEAVING \$35 MILLION IN NON-CONVERTIBLE CURRENCIES (\$19 MILLION IN RUSSIAN

ROUBLES) PLUS OTHER RESTRICTED ASSETS;

2. UNDP EXPECTS A CASH SHORTFALL OF ABOUT \$20 MILLION BY DECEMBER 31, 1975 AND OVEREXPENDITURE IN THE NEIGHBORHOOD OF \$100 MILLION BY THE END OF 1976 IF ACTIONS ARE NOT TAKEN TO CURTAIL THE PRESENT RATE OF APPROVALS AND EXPENDITURES. UNDP RESIDENT REPRESENTATIVES AND SPECIALIZED AGENCIES HAVE THEREFORE BEEN TOLD COUNTER-MEASURES ARE REQUIRED. UNDP IS NOT AIMING AT AN ABSOLUTE REDUCTION IN EXPENDITURE BUT A LEVELING OFF OF THE PRESENT SHARP UPWARD TREND AND MAINTENANCE OF ACTUAL COST PROGRAMMING EXPENDITURES IN 1976 AT THE \$390 MILLION LEVEL CURRENTLY ESTIMATED FOR 1975 - A FIGURE 25 PERCENT HIGHER THAN THE 1974 PROGRAM EXPENDITURE FIGURE.

3. THE US CONTRIBUTION IN 1973 WAS \$90 MILLION. IN 1974 AND 1975 IT WAS CUT BY CONGRESS TO \$70.6 AND \$77.9 RESPECTIVELY. WE HAVE PAID THESE AMOUNTS FULLY AND PROMPTLY. WE HAD NOT MADE FIRM PLEDGES FOR EITHER OF THESE YEARS SO THAT OUR REDUCED PAYMENTS WERE NOT CONTRARY TO OUR PLEDGE, EVEN THOUGH THEY WERE BELOW EXPECTATIONS. WE ARE STILL THE LARGEST SINGLE CONTRIBUTOR BY A SUBSTANTIAL AMOUNT. CONGRESS HAS NOT COMPLETED ACTION ON THE AID APPROPRIATION BILL FOR FY 76 AND THERE IS A GOOD CHANCE IT WILL NOT DO SO THIS YEAR. THE AUTHORIZATION BILL HAS PASSED BOTH HOUSES OF CONGRESS AND THE CONFERENCE COMMITTEE, AND WILL NOW GO TO THE PRESIDENT AUTHORIZING THE FULL \$120 MILLION REQUESTED FOR UNDP. THIS WILL CERTAINLY BE CUT IN THE APPROPRIATIONS BILL, BUT IT IS IMPOSSIBLE TO PREDICT HOW MUCH OR WHETHER OTHER RESTRICTING PROVISIONS LIKE INDOCHINA WILL BE ADDED ON. AT THE UNDP PLEDGING CON-

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PAGE 03 STATE 277331

REFERENCE FOR 1976 ON NOVEMBER 5 THE US DELEGATE STATED THAT THE US WAS NOT IN A POSITION TO GIVE ANY INDICATION AS TO WHAT ITS CONTRIBUTION TO UNDP FOR 1976 WOULD BE. CONGRESSIONAL ACTION ON U.S. CONTRIBUTIONS FOR THAT YEAR WAS STILL IN PROCESS AND UNTIL IT WAS COMPLETED IT WOULD NOT BE POSSIBLE TO ENTER A PLEDGE. THE ADMINISTRATION HAD, HOWEVER, ASKED CONGRESS TO APPROVE AN INCREASED AMOUNT. THE USDEL TO THE FAO SHOULD TAKE

THE SAME POSITION.

4. AT MEETING OF SELECTED COUNTRIES NOVEMBER 24, DELEGATION SHOULD INDICATE AGREEMENT THAT SERIOUSNESS OF UNDP FINANCIAL PROBLEM REQUIRES A REPORT TO THE CONFERENCE ON THE PRESENT SITUATION AND STEPS TO BE TAKEN BY FAO. IT IS IMPORTANT THAT CONFERENCE DEBATE BE

IMITED TO FAO ACTIONS IN ITS OWN BEHALF AND NOT EXTENDED TO UNDP'S PROBLEM.

5. THERE IS SERIOUS CONCERN THAT THE FINANCIAL PROBLEMS OF UNDP MAY BE MORE THAN ONE OF SIMPLE CASH FLOW WHICH COULD BE RESOLVED WITHIN THE COMING YEAR. SHOULD THE PROBLEM BE DEEPER AND LONG TERM, ANY BORROWING BY FAO COULD PRESENT VERY SERIOUS PROBLEMS, ESPECIALLY IF SPENDING IS NOT DRASTICALLY CURTAILED. THE DELEGATION SHOULD AGREE TO ALLOW FAO TO BORROW EITHER FROM THE WORKING CAPITAL FUND OR TRUST FUNDS ONLY TO CORRECT KNOWN CASH FLOW PROBLEMS OF A SHORT TERM NATURE. SUGGESTIONS AS TO MOST SUITABLE FUND FOR BORROWING IS LEFT TO THE DISCRETION OF THE DELEGATION PARTICULARLY BYRNES.

6. DELEGATION SHOULD STRESS THE NEED FOR FAO TO TAKE MEASURES TO REDUCE EXPENDITURES IN THE FIELD PROGRAMS, REORDER PRIORITIES AND SEEK ECONOMIES IN THE LONGER TERM ACTIVITIES, TO LIVE WITHIN THE UNDP ESTIMATED CASH EXPENDITURES FOR 1976 AT LEAST EQUAL TO THOSE OF 1975. KISSINGER

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